## Cap and Trade CP

### 1NC---Cap+Trade

#### The United States federal government should establish a cap-and-trade system for carbon emissions in the United States. The federal government should reduce the corporate income tax and business capital-gains taxes

#### Targeting specific industries and technology fails---cap and trade is key to market-based solutions that solve the case better

Morris et al 12 Adele C. Morris, Fellow and Deputy Director of the. Climate and Energy Economics project at Brookings, Pietro S. Nivola, Charles Schultze, Brookings Scholars, "CLEAN ENERGY:REVISITING THE CHALLENGES OF INDUSTRIAL POLICY" June 4 www.brookings.edu/~/media/research/files/papers/2012/6/04%20clean%20energy%20morris%20nivola%20schultze/04\_clean\_energy\_morris\_nivola\_schultze.pdf

Public investments of these magnitudes, targeted at specific industries, arguably constitute an industrial policy, albeit a sectoral one, unlike the earlier proposals of the 1980's —that is, a government strategy to steer resources toward select producers or technologies. The rationale and efficacy of these clean-energy expenditures call for scrutiny.

Proponents offer numerous reasons for scaling up particular energy technologies at the taxpayer's expense. One set of reasons involves the need to remediate market failures that have not been corrected by other policies. For example, clean-energy technologies are said to emit fewer greenhouse gases than do traditional sources per unit of energy produced. The United States does not have an economy-wide policy to control greenhouse gases, most notably, one that puts a price on C02 that reflects the environmental harm associated with use of fossil fuels.

A far more effective policy than subsidies for clean energy research, development and demonstration would be a tax or a cap-and-trade regime that would put an appropriate price on carbon and other greenhouse gases. Properly implemented, this alternative approach would help level the playing field for greener energy sources, for it would require emitters to pay prices that reflect the costs their emissions impose on society. The enhanced efficiency that would result has been widely recognized by economists.6 True costs would flow to purchasers of goods and services that require energy, suitably inducing conservation. Emitters would have incentives to invest in equipment and new production techniques, use alternative fuels, and seek other methods to reduce emissions. And America's innovators would channel their efforts into inventing, scaling up, and marketing competitive forms of clean energy. However, because existing market signals do not suffice to encourage climate-friendly technologies, carefully targeted federal funding seems warranted. But as we explain later, it is ironically only after incorporating the social costs of energy into market prices that many clean energy subsidies will succeed in deploying new technologies.

### Solvency---Top-Shelf---2NC

#### CP alone solves, plan and perm screw it up

Stavins 12 Robert N. Stavins is the Albert Pratt Professor of Business and Government, Director of the Harvard Environmental Economics Program, and Chairman of the Environment and Natural Resources Faculty Group. "Can Market Forces Really be Employed to Address Climate Change?" May 26 2012 www.robertstavinsblog.org/2012/05/26/can-market-forces-really-be-employed-to-address-climate-change/

Harnessing Market Forces by Pricing Externalities

The pricing of externalities can promote cost-effective abatement, deliver efficient innovation incentives, avoid picking technology winners, and ameliorate, not exacerbate, government fiscal conditions.

By pricing carbon emissions (or, equivalently, the carbon content of the three fossil fuels – coal, petroleum, and natural gas), the government provides incentives for firms and individuals to identify and exploit the lowest-cost ways to reduce emissions and to invest in the development of new technologies, processes, and ideas that can mitigate future emissions. A fairly wide variety of policy approaches fall within the concept of externality pricing in the climate-policy context, including carbon taxes, cap-and-trade, and clean energy standards.

What About Conventional Regulatory Approaches?

In contrast, conventional approaches to environmental protection typically employ uniform mandates to protect environmental quality. Although uniform technology and performance standards have been effective in achieving some established environmental goals and standards, they tend to lead to non-cost-effective outcomes in which some firms use unduly expensive means to control pollution.

In addition, conventional technology or performance standards do not provide dynamic incentives for the development, adoption, and diffusion of environmentally and economically superior control technologies. Once a firm satisfies a performance standard, it has little incentive to develop or adopt cleaner technology. Indeed, regulated firms may fear that if they adopt a superior technology, the government will tighten the standard.

Given the ubiquitous nature of greenhouse gas emissions from diverse sources, it is virtually inconceivable that a standards-based approach could form the centerpiece of a truly meaningful climate policy. The substantially higher cost of a standards-based policy may undermine support for such an approach, and securing political support may require weakening standards and lowering environmental benefits.

How About Technology Subsidies?

Government support for lower-emitting technologies often takes the form of investment or performance subsidies. Providing subsidies for targeting climate-friendly technologies entails revenues raised by taxing other economic activities. Given the tight fiscal environment throughout the developed world, it is difficult to justify increasing (or even continuing) the subsidies that would be necessary to change significantly the emissions intensity of economic activity.

Furthermore, by lowering the cost of energy, climate-oriented technology subsidies can actually lead to excessive levels of energy supply and consumption. Thus, subsidies can undermine incentives for efficiency and conservation, and impose higher costs per ton abated than cost-effective policy alternatives.

In practice, subsidies are typically designed to be technology specific. By designating technology winners, such approaches yield special-interest constituencies focused on maintaining subsidies beyond what would be socially desirable. They also provide little incentive for the development of novel, game-changing technologies.

## Competitiveness DA

### 1NC

#### Incentives cause government dependence and undermines incentives for innovation

Loris 11 Nicolas Loris is an analyst in the Heritage Foundation’s Roe Institute of Economic Policy Studies. "Power Down the Subsidies to Energy Producers" Aug 3 www.heritage.org/research/commentary/2011/08/power-down-the-subsidies-to-energy-producers

America has an energy addiction - and it’s not an addiction to oil, as many politicians would have you think. It’s an addiction to government subsidies. The addicts, you see, are energy producers, not the consumers.

Their growing dependence on federal handouts is the real cause of America’s energy crisis. Energy subsidies have needlessly wasted taxpayer dollars, retarded commercialization of new technologies and failed to reduce our reliance on foreign energy sources. Washington would do well to end all energy subsidies.

Energy subsidies come in numerous forms ranging from direct expenditures to targeted tax breaks, from production mandates to loan guarantees. Basically, any public policy that favorsthe production or consumption of one type of energy over another can be considered a subsidy.

None of them come cheap. According to the Energy Information Agency, the federal government gave the energy industry $8.2 billion in subsidies and financial aid in 1999. This figure more than doubled to $17.9 billion in 2007 and more than doubled again to $37.2 billion last year.

But the damage subsidies inflict on our economy extends well beyond direct costs. A special endorsement from the government artificially props up that technology. This reduces the incentive for the producer to become cost-competitive, stifles innovation and encourages government dependence.

The federal government has no business picking commercial winners and losers. That’s the job of the marketplace. Indeed, it’s doubly damaging when government decides to manipulate the market through subsidies, because government - almost invariably - picks losers. That’s not surprising, because companies that seek handouts most strenuously are those that cannot compete without them.

#### Solves great power war

**Baru 9** Sanjaya is a Professor at the Lee Kuan Yew School in Singapore Geopolitical Implications of the Current Global Financial Crisis, Strategic Analysis, Volume 33, Issue 2 March 2009 , pages 163 – 168

Hence, economic policies and performance do have **strategic consequences.**2 In the modern era, the idea that strong economic performance is the **foundation of power** was argued most persuasively by historian Paul Kennedy. 'Victory (in war)', Kennedy claimed, 'has repeatedly gone to the side with more flourishing productive base'.3 Drawing attention to the interrelationships between economic **wealth, technological innovation, and the ability of states to** efficiently **mobilize economic and technological resources for power projection and national defence**, Kennedy argued that nations that were able to better combine military and economic strength scored over others. 'The fact remains', Kennedy argued, 'that all of the major shifts in the world's military-power balance have followed alterations in the productive balances; and further, that the rising and falling of the various empires and states in the international system has been confirmed by the outcomes of the **major Great Power wars**, where victory has always gone to the side with the greatest material resources'.4 In Kennedy's view, the geopolitical consequences of an economic crisis, or even decline, would be transmitted through a nation's inability to find adequate financial resources to simultaneously sustain economic growth and **military power**.

### Overview---2NC

#### The CP solves the case, their methodology is suspect, and the plan’s winner picking will cause a fannie and Freddie explosion in the energy sector

Boskin 12 Michael J. Boskin, is Professor of Economics at Stanford University and Senior Fellow at the Hoover Institution, and a former chairman of the US President's Council of Economic Advisers. "PICKING LOSERS, KILLING WINNERS" www.stanford.edu/~boskin/Publications/boskin%20wsj%2002%2015%202012%20industrial%20policy%20-%20long.pdf

Firms make mistakes and markets are not perfect, but it's a deeply dangerous conceit for anyone to conclude they can pick technology, firm, and industry winners and losers more successfully than the market. And a possible market failure won't necessarily be improved by government intervention. We must compare the imperfect government policies likely to be implemented with imperfect market outcomes; will they improve the situation AND merit the cost? Government failure, including crony capitalism, rent-seeking and dispensing, pork, and regulatory capture, is as pervasive as market failure due to monopoly, externalities, or information problems.

America certainly has energy security and potential environmental needs to diversify sources by type and by geography. The shale gas hydraulic fracturing revolution -credit due to Halliburton and Mitchell Energy; the government's role was minor is rapidly providing a piece of the intermediate-term solution.

Government should set sensible goals and enact even-handed policies to achieve them, then let entrepreneurs, investors, and consumers decide how best to do so. It should fund applicable, pre-competitive generic scientific and technological research, eliminate specific subsidies and lower tax rates for all with the proceeds.

The arguments mustered to promote industrial policy - infant industries; benefits of clustering and learning; and jobs, do not stand up to serious research and historical evidence. Echoing 1980s Japan-fear and envy, some claim we must enact industrial policies because other countries, e.g. China, do. Presidents Johnson and Nixon wanted the U.S. to build a supersonic transport (SST) plane because the British and French were doing so. The troubled Concorde was shut down after a brief run of subsidized travel for wealthy tourists and Wall Street types.

Our response instead should be 1) remove our own major competitive obstacles, e.g. more competitive corporate tax rates; more sensible regulation, improved K-12 education, and better job training for commercially demanded skills; (Mr. Obama's green jobs training program - added on top of four dozen federal training programs -- spent hundreds of millions; 3% of enrollees had the targeted jobs six months later). 2) Base policies on sound economics. If another country has a comparative cost advantage, we gain from exchanging such products for those we produce relatively more efficiently. If we tried to produce everything in America, our standard of living would plummet. 3) Pursue rapid redress for illegal subsidization and protectionism in appropriate venues, e.g. the WTO, and strengthen those processes.

Fortunately, there is some promising news. Ethanol subsidies and tariffs (but not the increasing use mandate) expired in the New Year and there is a growing consensus to kill California's high-speed rail boondoggle. The state-appointed High Speed Rail Authority recommended against the program, as cost projections tripled to almost $100 billion, ridership projections plummeted and potential startup delayed a decade or more. Yet Mr. Obama offers subsidies to induce Governor Brown to add funds the state doesn't have for a first stage between Fresno and Bakersfield that Californians don't want enough to pay for.

So pervasive is this new government intervention in so many sectors that a vast array of unsubsidized firms are competing for capital and customers with government-subsidized firms forced to make non-commercial decisions. The end result cannot be good; witness the damage wrought by Fannie and Freddie.

Industrial policy failed miserably in the 1970's and 1980's. Letting governments rather than marketplace competition pick specific winners and losers is just as bad an idea today.

## Epist/Synoptic Delusion K

### 1NC

#### You should prioritize questions of epistemology---in the context of economics the knowledge-production process is more important than the outcomes

Anderson 89 Thomas, Libertarian Alliance, "Economics and Knowledge" Economic Notes No. 21 www.libertarian.co.uk/lapubs/econn/econn021.pdf

Before there can be a substantial or meaningful advance of knowledge in any discipline, there must be a firm foundation laid in a theory of knowledge, an epistemology, and its application to the particular discipline. Obviously, one's conclusions cannot be any sounder than one's method of attaining them. With a few rare and wonderful exceptions, the intellectual leaders of today do not concern themselves publicly with epistemology, let alone with sound epistemology, or understandable epistemology. So there is a large vacuum in this area, and for obvious reasons especially in writings designed as popularizations. Those who hold positions of influence on recognised intellectual establishments may consider these questions when they congregate in little esoteric groups, but the whole field is supposed to be outside the realm of the average student, citizen or voter.

Continued…

A sound theory of knowledge is the only path leading to the rescue of economics. The great free market economists and philosophers are increasingly realising this and are laboring mightily to make up the deficit. All students of economics should join them.Remember to apply sound principles of knowledge theory to anything you study. In all of your writings or speeches, whether highly sublime and original, or merely popularizations, remember to trace back, isolate, present and check your fundamental premises.

#### The affirmative forecloses the ability of markets and human ingenuity to solve the impacts they invoke---fatal conceit in the context of energy policy makes their impacts inevitable and cause policy failure

Robinson 8 Colin, Institute of Economic Affairs “Climate Change Policy: Challenging the Activists,” http://www.iea.org.uk/files/upld-book440pdf?.pdf

There is, however, more to the apocalyptic forecast than that because it always contains a call to action. It comes in two parts. Part one is the ‘conditional’ forecast – what would happen on unchanged policy. Part two is the plan – what should be done to avoid the dire consequences that the forecast reveals. The latter-day apocalyptic forecaster, when turning to the plan, almost invariably recommends centralised solutions carried out by governments and international organisations. It would be unusual, if not unprecedented, for someone, having seen the apocalypse, to recommend leaving solution of the foreseen problems entirely to decentralised market forces. There must be coordinated, centralised national government or international action so that someone is seen to be doing something. Recom- mendations are usually for direct government intervention in the market by targets, regulations, government-controlled investment programmes, taxes or sometimes ‘market instruments’ (of which more later).

But there is a serious problem with the view that centralised action, via governments and international organisations, is required to avoid the apocalypse. This form of action suffers from the same inherent problems as does central planning, which has, wherever it has been tried, failed. Briefly, there are two reasons. First, the information required for centralised action to work – which is information about the future – cannot readily be gathered. Information is not available off the shelf, to be collected together in Whitehall or similar locations, because it is essentially decentralised and much of it is tacit. The production and dissemination of information are primarily market phenomena and the suppression of markets, which is the inevitable consequence of central planning, also suppresses the information that planners would need if they were to operate successfully.

The second problem is that, even if the information were avail- able, the incentives to deal with problems are lacking. There is no Whitehall counterpart to the powerful self-interest motives to solve problems that exist in markets. On the contrary, the pursuit of self-interest by people in organisations that have a monopoly of policy-making is most unlikely to be to the public benefit. Public choice theory has shown the dangers of assuming, as much main- stream economic theory does, that politicians and bureaucrats, domestic and international, are wise, far-sighted and disinterested and will simply identify and then pursue the ‘public good’.

By contrast, the market system is essentially a massive problem- solving mechanism. Markets may appear to operate slowly and ‘imperfectly’ but they do so surely: their existence is the reason why past apocalyptic forecasts have not come true. Competitive markets are powerful adaptive systems which contain strong incentives to solve the problems of the day, whether trivial or apparently serious. Unfortunately, the essence of the market’s functions is often clouded by the mechanistic neoclassical models used by many economists which concentrate on end-states of markets rather than the processes by which they adjust to change. Hayek’s insight – that competition is a process of discovery, quite different from stylised textbook models of competition which show the states of markets once competition has been exhausted – is the key to understanding the problem-solving power of markets (Hayek, 1948). Competitive markets provide the information and the incentives that spark the discovery process in which human ingenuity is exercised to deal with economic, social and technological problems. Marketplace incentives, operating mainly through price signals, induce entrepreneurs to seek out and then exploit market opportunities so as to make profits. Sometimes, entrepreneurial action may result in no more than the discovery of a slightly cheaper way of making a product or a slightly more efficient method of organising a firm. At other times, it may result in a major invention and its subsequent exploitation with global consequences. On a Hayekian view, the apocalyptic forecaster/ planner who believes he or she can see a long way into the future and has the answer to the world’s problems, substituting for and surpassing the problem-solving capabilities of markets, has been misled into the ‘pretence of knowledge’, if not into a ‘fatal conceit’ (Hayek and Bartley, 1988).

Of course, no one can be sure that there will always be an economic or technological fix for every conceivable problem that ever arises. But past history, including the failure of predicted catastrophes to materialise, suggests that market systems act effectively to deal even with predicted global disasters. Russell Lewis’s chapter in this volume gives some examples of past false predictions of catastrophe. One particularly apposite example, on which it is worth dwelling because it is the most recent and the one that bears similarities to the concerns of today, is the ‘energy crisis’ of the 1970s when there was a consensus that rapid depletion of energy resources (especially crude oil), allied with the exploitation of monopoly power by the Organisation of Petroleum Exporting Countries (OPEC), would result in ever-rising energy prices. ‘The days of cheap energy are gone for ever’ was the slogan of many commentators, unwise enough to think they could see ‘for ever’ into the future. Only centralised action by governments and inter- national bodies could, it was argued, avoid a major world energy crisis. In the event, despite the almost total absence of the government and international action that had been deemed so important, energy markets adjusted to the ‘crisis’ so that, within ten years, the world was (by the mid-1980s) awash with oil and OPEC was meeting to try to prop up crude oil prices. Instead of crude oil prices tripling in real terms by the end of the century, as had been the consensus of forecasts in 1980, they began to decline almost as soon as the fore- casts were made and halved by the end of the century. Even in the first half of 2008, despite increases in crude prices in the previous few years, they were still lower in real terms than in 1980.3

#### This is an a priori voting issue---sound economic epistemology is key to the efficacy of all social and political praxes---accesses every impact

Reisman 96 George, Pepperdine University Professor Emeritus of Economics, Capitalism: A Treatise on Economics, http://www.capitalism.net/Capitalism/Economics%20and%20Capitalism.htm

In the absence of a widespread, serious understanding of the principles of economics, the citizens of an advanced, division-of-labor society, such as our own, are in a position analogous to that of a crowd wandering among banks of computers or other highly complex machinery, with no understanding of the functioning or maintenance or safety requirements of the equipment, and randomly pushing buttons and pulling levers. This is no exaggeration. In the absence of a knowledge of economics, our contemporaries feel perfectly free to enact measures such as currency depreciation and price controls. They feel free casually to experiment with the destruction of such fundamental economic institutions as the freedom of contract, inheritance, and private ownership of the means of production itself. In the absence of a knowledge of economics, our civilization is perfectly capable of destroying itself, and, in the view of some observers, is actually in the process of doing so.

Thus, the importance of economics consists in the fact that ultimately our entire modern material civilization depends on its being understood. What rests on modern material civilization is not only the well-being but also the very lives of the great majority of people now living. In the absence of the extensive division of labor we now possess, the production of modern medicines and vaccines, the provision of modern sanitation and hygiene, and the production even of adequate food supplies for our present numbers, would simply be impossible. The territory of the continental United States, for example, counting the deserts, mountains, rivers, and lakes, amounts to less than nine acres per person with its present population—not enough to enable that population to survive as primitive farmers. In Western Europe and Japan, the problem of overpopulation would, of course, be far more severe. Needless to say, the present vast populations of Asia, Africa, and Latin America would be unable to survive in the absence of Western food and medical supplies.

#### This ensures error replication and market failure

Taylor 8 Jerry, CATO, Powering the Future, 8/22, <http://www.cato.org/pub_display.php?pub_id=9609>

Before you confidently hold forth about the future of energy markets, you really ought to pick up a copy of Vaclav Smil's 2005 book, "Energy at the Crossroads," and direct your attention to Chapter 4. There you will find a thorough review of the most prominent energy forecasts that have been offered over the last several decades by various blue-ribbon commissions, government forecasting agencies, top-flight academics, energy trade associations, think tanks, policy advocates and energy corporations. **One can't help but conclude that drunk monkeys would be just as reliable** as "the best and the brightest" when it comes to soothsaying about the future of technology, market share or price. The point here is that we don't know what the energy future may hold and we should accordingly treat the periodic energy crazes that sweep the political landscape more skeptically than we have in the past. Markets will provide the lowest-cost energy possible because energy producers compete mightily with one another for profit. If you need any proof that unleashing government to plan our energy future is like giving car keys to drunken teenagers (to paraphrase P.J. O'Rourke), you need look no further than President Bush's 2002 "Freedom CAR" initiative. First, it was charged with delivering us into the hydrogen age. But then the president discovered switch grass; fuel cells were henceforth "out" and cellulosic ethanol was "in." Now it turns out that 200-proof grain alcohol is not the fuel of the future; electricity delivered via plug-in electric-gasoline hybrids is. And Freedom CAR is but one example of many that one could marshal; whole books have been written about the myriad economic disasters and quiet taxpayer waste associated with our ongoing practice of energy planning in post-World War II America. The problem isn't that ignorant or venal people are charged with making our collective energy decisions. The problem is that we can no more sensibly plan the energy economy than we can centrally plan any other sector of the economy, particularly given the fact that political decisions are inevitably made primarily on their political merits, not on their economic or environmental merits. Markets will provide the lowest-cost energy possible because energy producers compete mightily with one another for profit. The argument we frequently hear that "we need every source of energy in the future to meet our staggering energy needs" is ridiculous. Some energy — such as nuclear fusion and grid-connected solar energy — is simply too expensive to produce now, which is to say, it costs more to generate than it is worth. Subsidies and mandates to get "every energy source to market" simply force us to generate and consume energy that costs more than it is worth. In an ideal world, we would strip the energy market of all subsidies; liberate the energy industry to exploit resources on federal lands; leave prices alone so that they deliver accurate information to investors about wealth-creating opportunities and to consumers about relative scarcity; allow energy companies to structure themselves in any manner they like; and fully embrace free trade in energy markets, which keeps prices down. I don't disagree that we have a responsibility to police the public environmental commons. But the best way to do that is to set emission rules or regulations that apply fairly to all emitters in all sectors of the economy and that have some relationship to the harms being addressed. Once that's done, market actors will order their affairs efficiently to produce the lowest-cost energy possible and do a better job picking "winners" than would-be central planners.

#### If we disprove the principles behind their affirmative then it has ZERO predictive ability. Their specific warrants are irrelevant if their starting point is flawed

Steele 92 David author and founder of the Libertarian Alliance From Marx to Mises, p 374-5

Does this lead us to embrace the extremely anti-Misesian contention that 'the realism of the assumptions doesn't matter'? 'Unrealistic assumptions' is a euphemism for false assumptions. If 'the assumptions' are part of the theory, then false assumptions mean that the theory is false. The claim, then, is that it doesn't matter whether the theory is false. The claim is usually followed up with the assertion that 'what really matters is whether the theory predicts well'. But if the assumptions are part of the theory, then the theory predicts its own assumptions, and is immediately refuted if one of its assumptions is shown to be false. There can be no worse predictive performance for any theory than for it to be found to require a false assumption: the theory is immediately a failure, as far as prediction goes. We can instead say that 'the assumptions' are not part of the theory, but then it is not clear that the theory needs the 'assumptions'. If the assumptions are expository mnemonics not implied by the theory, or metaphysical views that people who hold the theory find congenial, then there is no reason why they need to be true.

Solvency/Winner-Picking Fails

## Case

### 1NC---Generic

#### Economic consensus against winner picking---we have experts on our side---(only the CP addresses a specific market failure)

Van Doren and Taylor 8 Peter and Jerry, senior fellows at the Cato Institute, “The Case against Government Support for Alternative Energy” Google Knol, http://knol.google.com/k/jerry-taylor/should-there-be-a-system-of-federal/1adq09v7leuu4/3#

The final issue of disagreement that remains is the question of market failure. We have argued that government intervention to promote renewable energy only makes sense if market prices for energy are “wrong.” We follow with the contention that, if prices are found to be wrong for some reason (say, by not including the cost of the environmental damages associated with energy consumption), the best and most appropriate remedy is to correct the price and then leave markets alone. Joe responds by arguing that this is hard-line libertarian ideology disconnected from observable reality and that government can indeed make better decisions about what to invest in than can market actors left to their own devices … even when market prices are “correct.”

This, we believe, is the real nub of the disagreement between us and Joe. More accurately, this is the real nub of the disagreement between economists and Joe. Our contention that market actors, as a general matter, outperform government planners and that government cannot improve on market performance unless it is correcting an identifiable market failure is not a matter of hard-line libertarian ideology. It is a matter of broad agreement among economists everywhere. Even Nobel laureate and liberal economist par excellance Paul Krugman would not disagree. Hence, Joe is declaring intellectual war on an entire academic discipline – economics – not on libertarianism (which is, in fact, about other things).

#### The aff doesn’t correct a market failure

Van Doren and Taylor 8 Peter and Jerry, senior fellows at the Cato Institute, “The Case against Government Support for Alternative Energy” Google Knol, http://knol.google.com/k/jerry-taylor/should-there-be-a-system-of-federal/1adq09v7leuu4/3#

If prices were correct for energy, why would market actors disappoint in energy markets relative to Joe (or some collection of Joes)? Does Joe have information about renewable energy that others are not privy to? Almost certainly not. Is Joe quantitatively smarter than the intelligence manifested by “the wisdom of [market] crowds?” Probably not (although we admit to having conducted no IQ test on the matter). Does Joe have better incentives than market actors to discover information that might lead to economically optimal investments? Again, no. What Joes does have is evidence that market actors sometimes collectively get things wrong. They overinvested in technology stocks, for instance, in the late 1990s. They overinvested in housing in this decade. They took on derivative contracts without accurately assessing the risks associated with the same. All true. But does Joe have evidence that government can reliably invest in a less error-prone fashion? No. The fact that planned economies around the world have historically ended in smoldering ruin attests to the general superiority of markets. The manifest failure of government regulators to identify market errors and correct the same is likewise a testament to the observation that government is no better informed than the market when it comes to these things. For instance, it was investors – not regulators – who finally detected the rot behind Enron’s books and took that company down. It was the market – not the fiscal or monetary regulators – that finally grew impatient with returns from the technology sector and reallocated capital elsewhere. And it was the investor class – not government sanctioned credit reporting agencies like Moody’s – that finally woke up to the risks associated with sub-prime mortgages – risks that were oblivious to quasi-governmental institutions like Freddie Mac and Fannie Mae and to the balance of the Clinton and Bush regulatory brain trusts. But let’s move from generalities about government decisions in the marketplace as a whole to government decisions in the energy marketplace in particular. What is the track record of government when it comes to overriding market outcomes in the energy sector? Pretty bad. In the 1950s, the interventionists argued that, with a bit of government help, nuclear power would prove “too cheap to meter.” A half a century later, however, we find that nuclear power is “too costly to matter” – even with a stunning array of subsidy, it is still more expensive than conventional electricity.

#### Empirics

Van Doren and Taylor 8 Peter and Jerry, senior fellows at the Cato Institute, “The Case against Government Support for Alternative Energy” Google Knol, http://knol.google.com/k/jerry-taylor/should-there-be-a-system-of-federal/1adq09v7leuu4/3#

Ever since World War II, Washington has periodically promised that synthetic oil was on the horizon and that government could and should deliver what the market mysteriously would not. Again, a half century later, we’re still confronting claims that yet one more government stab at the synthetic energy wagon will produce affordable energy despite at least four separate mad crash programs coming to naught in the past.

In the 1970s, government preferences for solar energy were sold as a means of delivering us unto a low-cost solar energy economy. Now, solar has a trivial market share and has been all but forgotten in our rush to wind power despite a repeat of the same promises.

People like Joe were once head-over-heals in love with corn ethanol and attested to the need to move heaven-and-earth to deliver that fuel to the market. Today, the evidence has mounted that corn ethanol will never be economically competitive with oil, cannot displace oil in any significant manner, and is almost certainly a worse conventional air and greenhouse gas pollutant than even gasoline.

Over the past two decades, government has launch a dizzying array of frenetic programs to reinvent the car: first, to produce cars run largely upon battery electric power (California’s Zero Emission Vehicle program); then, to produce an auto fleet powered by conventional internal combustion engines that could get 70 or more miles per gallon (Clinton’s “Partnership for a New

Generation of Vehicles); then, to produce an auto fleet run on hydrogen powered fuel cells (Bush’s “Freedom Car” initiative); then, to produce an auto fleet powered by cellulosic ethanol (the so-called switch-grass initiative), and now, to produce an auto fleet made up of plug-in hybrid electric vehicles. Every year or two, either the Congress or the President can be reliably expected to come up with some bright new idea to redesign the car and launch a program to translate new wish into new reality. We’re sure more fads will come even while acknowledging that pure chance may eventually prove one of these investment frenzies to be worthwhile.

During the 1990s, state legislatures thought they knew best how to structure electricity markets. The result were game-able systems in California and elsewhere that bear no resemblance to the sort of market that might have arisen had government not dictated politically favored industry blueprints to power companies.

The above list could go on and on, but we must leave a comprehensive exegesis of government energy failure for another day. Suffice it to say that the observation that markets are not always right about what constitutes a “good” investment is correct but insufficient. One must also find that governments can be reliably expected to do better. And there is no evidence in theory or practice that this is the case … particularly in energy markets.

#### Market uncertainty destroys solvency

Van Doren and Taylor 8 Peter and Jerry, senior fellows at the Cato Institute, “The Case against Government Support for Alternative Energy” Google Knol, http://knol.google.com/k/jerry-taylor/should-there-be-a-system-of-federal/1adq09v7leuu4/3#

While libertarians are often caricatured as those who have near religious certainty about the correctness of their ideologically-charged view of the world, the reality is quite the opposite. In short, we libertarians argue that, in energy markets, much is uncertain. We don’t know whether renewable energy is the “best” way to reduce greenhouse gas concentrations in the atmosphere. We don’t know for certain when (or even if) oil will meaningfully grow more scarce. We don’t know what the transportation market will look like tomorrow. And we don’t know better than greedy, profit-hungry investors whether money spent in this sector or that – or on this technology or that – is a better deal than money spent in some other way. Hence, we propose to leave it to producers and consumers to sort such things out. Nor are we libertarians the only ones who see wisdom in this policy path. Even “soft energy” guru Amory Lovins has no complaint with leaving energy decisions to the market and letting the chips fall where they may.

## Nuclear

### 1NC---Solvency

#### This card ends the debate---the aff cannot solve---neg on presumption

Lovins 10 AMORY B. LOVINS is Chair and Chief Scientist of Rocky Mountain Institute "Nuclear Socialism" Weekly Standard, VOL. 16, NO. 06 Oct 25 www.weeklystandard.com/articles/nuclear-socialism\_508830.html?page=1

With such juicy incentives, why won’t private investors finance reactors? In 2005-08, with the strongest subsidies, capital markets, and nuclear politics in history, why couldn’t 34 proposed reactors raise any private capital? Because there’s no business case. As a recent study by Citibank U.K. is titled “New Nuclear—the Economics Say No.” That’s why central planners bought all 61 reactors now under construction worldwide. None were free-market transactions. Subsidies can’t reverse bleak fundamentals. A defibrillated corpse will jump but won’t revive.

American taxpayers already reimburse nuclear power developers for legal and regulatory delays. A unique law caps liability for accidents at a present value only one-third that of BP’s $20 billion trust fund for oil-spill costs; any bigger damages fall on citizens. Yet the competitive risks facing new reactors are uninsured, high, and escalating.

Since 2000, as nuclear power’s cost projections have more than tripled, its share of global electricity generation has fallen from 17 percent to 13 percent. That of cogeneration (making electricity together with useful heat in factories or buildings) and renewables (excluding big hydropower projects) rose from 13 percent to 18 percent.

These bite-sized, modular, quickly built projects—with financial risks, costs, and subsidies generally below nuclear’s and declining​—now dominate global power investments. Last year, renewables (wind, water, solar, geothermal), excluding large hydroelectric dams, attracted $131 billion of private capital and added 52 billion watts. Global nuclear output fell for the past three years, capacity for two.

#### Empirics go neg---billions have been sunk into projects that failed abysmally

Morris et al 12 Adele C. Morris, Fellow and Deputy Director of the. Climate and Energy Economics project at Brookings, Pietro S. Nivola, Charles Schultze, Brookings Scholars, "CLEAN ENERGY:REVISITING THE CHALLENGES OF INDUSTRIAL POLICY" June 4 www.brookings.edu/~/media/research/files/papers/2012/6/04%20clean%20energy%20morris%20nivola%20schultze/04\_clean\_energy\_morris\_nivola\_schultze.pdf

U.S. Energy Technology Policy

The energy sector has long been an object of industrial boosterism. While policymakers have had some successes, the history of the Department of Energy's (DOE) RD&D projects has been checkered since the early 1970s. For example, after the first Mideast oil shock in 1973, various alternative fuel programs were proposed. They proved problematic. President Carter and Congress, for example, created the Synthetic Fuels Corporation that was envisaged to spend up to $88 billion ($200 billion in 2007 prices) and to produce an ambitious two million barrels a day by 1992.9 Some plants were completed at a cost of $9 billion (2007 dollars) but they never operated commercially.10 The Clinch River breeder reactor project cost taxpayers $1.7 billion. It was abandoned in 1983; none of the subsidized reprocessing plants became commercial operations. Some more recent federal efforts to fund energy technology have seen similar failures and false starts. For example, from 2004 to 2008 the federal government sank $ 1.2 billion into hydrogen vehicle programs that so far have resulted in no commercial deliverables.12

#### Nuclear won’t take off unless it’s forced to sink or swim

Taylor 8 Jerry Taylor, senior fellow at the Cato Institute, “Nuclear Energy: Risky Business,” October 22, https://www.cato.org/pub\_display.php?pub\_id=9740

There's nothing new about today's rhetoric about the supposed "nuclear renaissance." Back in 1954, GE maintained: "In five years-certainly within 10-a number of them (nuclear plants) will be operating at about the same cost as those using coal. They will be privately financed, built without government subsidy." Now, 54 years later, the talk of "renaissance" is back-as are promises about the imminent economic competitiveness of nuclear.

Those who favor nuclear power should adopt a policy of tough love. Getting this industry off the government dole would finally force it to innovate or die-at least in the United States. Welfare, after all, breeds sloth in both individual and corporate recipients. The Left's distrust of nuclear power is not a sufficient rationale for the Right's embrace of the same.